

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 L-03 EB-08 COME-00 H-01 SP-02 USIA-06  
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TO SECSTATE WASHDC 2249

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E.O. 11652: N/A  
TAGS: USEGJC, EINV, EG  
SUBJECT: WORKSHOP ON LAW 43

REF: (A) CAIRO 3041 (B) CAIRO 1347 (C) STATE 36974

1. SUMMARY: FEBRUARY 26 FORD FOUNDATION-SPONSORED WORKSHOP ON PROPOSED CHANGES TO LAW 43 WAS ATTENDED BY APPROXIMATELY 70 REPRESENTATIVES OF FOREIGN FIRMS AND INSTITUTIONS.  
MINECON EL SAYEH DELIVERED OPENING ADDRESS AND DISCUSSIONS WERE LED BY NEW DEPUTY CHAIRMAN OF INVESTMENT AUTHORITY ABDEL RAZZAK ABDEL MEGUID, WITH OTHER MEMBERS OF THE AUTHORITY, PLUS MINECON AND PRIVATE EGYPTIAN LAWYERS PARTICIPATING. ALTHOUGH LITTLE THAT WAS NEW EMERGED FROM DISCUSSIONS, SESSION OFFERED USEFUL OPPORTUNITY FOR MEMBERS OF LOCAL FOREIGN BUSINESS COMMUNITY TO MAKE KNOWN THEIR VIEWS AND, IN SOME CASES, TO RELATE THEIR EXPERIENCES, IN CONNECTION WITH LAW 43. PARTICIPANTS ALSO HAD OPPORTUNITY--MOST OF THEM FOR THE FIRST TIME--TO SEE NEW DEPUTY CHAIRMAN MEGUID IN ACTION. MOST WERE IMPRESSED BY HIS FIRM HANDLING OF MEETING, AS WELL AS BY APPARENTLY GENUINE DESIRE HE DISPLAYED TO SUCCEED IN INDUCING MORE FOREIGN PRIVATE INVESTMENT. NEW DRAFT OF PROPOSED CHANGES TO LAW 43 SAID TO HAVE BEEN SENT TO DEPPRIMIN KAISSOUNY. END SUMMARY

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2. FORD FOUNDATION-SPONSORED WORKSHOP ON PROPOSED CHANGES TO LAW 43 TOOK PLACE FEB. 16 AS SCHEDULED, WITH ABOUT 70 REPRESENTATIVES OF FOREIGN FIRMS AND INSTITUTIONS PRESENT (PRELIMINARY LIST OF PARTICIPANTS BEING POUCHED NEA/EGY). PRINCIPAL MEMBERS OF INVESTMENT AUTHORITY PLUS PRIVATE AND MINECON LAWYERS ALSO TOOK PART. MOST OF DISCUSSION WAS CHAIRED BY NEW DEPUTY CHAIRMAN OF

INVESTMENT AUTHORITY ABDEL RAZZAK ABDEL MEGUID, AND MINECON EL SAYEH DELIVERED OPENING ADDRESS. WORKSHOP, WHICH BEGAN AT 9:00 A.M., CONTINUED UNTIL 7:00 P.M. WITH BREAK FOR LUNCH. COMATT WAS PRESENT AS OBSERVER DURING MOST OF MORNING SESSION.

3. EL SAYEH'S OPENING STATEMENT EMPHASIZED DESIRE OF GOE TO CREATE BOTH LEGAL FRAMEWORK AND ATMOSPHERE SUITABLE FOR FOREIGN PRIVATE INVESTMENT. HE REVIEWED ECONOMIC SITUATION IN GENERAL WITH SPECIFIC REFERENCE TO RECENT CHANGES INTENDED TO PROMOTE ECONOMIC LIBERALIZATION. IT WAS IN THIS VEIN THAT COMMENTS OF WORKSHOP PARTICIPANTS ON PROPOSED CHANGES IN INVESTMENT LAW WERE BEING SOLICITED. SAYEH INDICATED THAT GOE WOULD COMPLETE ITS DRAFTING OF INVESTMENT LAW AMENDMENTS BY THE MIDDLE OF MARCH.

4. SUBSEQUENT DISCUSSION, MOST OF WHICH WAS LED BY MEGUID, WENT THROUGH MAJOR PROPOSED REVISIONS OF LAW 43 (SEE REF. B) -REGARDING, E.G., EXCHANGE RATE, TAX EXEMPTIONS, CUSTOMS, AND REPATRIATION OF CAPITAL--WITH COMMENTS OF PARTICIPANTS INVITED ON EACH POINT.

5. COMMENTS WERE MADE LARGELY ALONG PREDICTABLE LINES:  
-CHANGE TO PARALLEL OR "MOST FAVORABLE" RATE FOR INCOMING CAPITAL WAS USEFUL STEP, BUT BY NO MEANS A "CURE-ALL". MOST PARTICIPANTS THOUGHT SAME RATE SHOULD ALSO APPLY TO REAL ESTATE. MOST ALSO APPEARED TO FAVOR LETTING EXISTING ENTERPRISES, WITH INVESTMENT MADE AT OFFICIAL RATE, WORK OUT THEIR OWN SOLUTIONS TO DIFFICULTIES CAUSED BY A CHANGE IN THE RATE.  
-MOST PARTICIPANTS, NOT UNEXPECTEDLY, WANTED LONGER TAX HOLIDAY AND SOME SUGGESTED THAT IT BEGIN IN YEAR FIRM FIRST BECAME PRO-LIMITED OFFICIAL USE

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FITABLE. THERE WAS SOME TECHNICAL DISCUSSION ABOUT APPLICABILITY OF TAX EXEMPTIONS TO EXPAND OR NEW ENTERPRISES OF SAME PARTIES AND ABOUT EXEMPTIONS ON EMPLOYEE SALARIES.  
-ON CUSTOMS DUTIES, IN ADDITION TO PROPOSED ELIMINATION OF PRESIDENTIAL DECREE REQUIREMENT FOR EXEMPTION (REF. B), INVESTMENT AUTHORITY MEMBERS PROMISED UNSPECIFIED CHANGES IN ADMINISTRATIVE REGULATIONS WHICH WOULD FACILITATE CUSTOMS CLEARANCE. PARTICIPANTS WERE LOUD IN CONDEMNING BUREAUCRATIC PROBLEMS WITH CUSTOMS AUTHORITIES, BOTH WITHIN CONTEXT OF LAW 43 (ARAB ALUMINUM COMPANY REP. WAS ONE OF FEW ABLE TO COMMENT FROM EXPERIENCE ON THIS ASPECT) AND OUTSIDE IT.  
-REPATRIATION OF PROFITS DISCUSSION TOUCHED ON QUESTION OF EXTENT TO WHICH IMPORT-SUBSTITUTION PROJECTS WOULD BE WELCOMED AND HOW THEIR NEEDS FOR FOREIGN EXCHANGE COULD BE MET. EGYPTIAN OFFICIALS INSISTED THAT SUITABLE IMPORT SUBSTITUTION PROJECTS WOULD READILY BE APPROVED AND THAT FOREIGN EXCHANGE NEEDS COULD BE ACCOMODATED THROUGH PARALLEL MARKET, WHILE OTHER PARTICIPANTS EXPRESSED DOUBT ON BOTH POINTS. HOWEVER, ISSUE WAS NEVER REALLY JOINED ON THIS IMPORTANT MATTER. IT IS WORTH NOTING THAT THIS PORTION OF DIS-

CUSSION WAS NOT CHAIRED BY MEGUID AND HIS ABSENCE HAD A NOTICEABLE NEGATIVE EFFECT ON THE FRUITFULNESS OF THE EXCHANGES.

6 WE UNDERSTAND THAT AFTER BREAK FOR LUNCH, DISCUSSION RESUMED UNTIL 7:00 P.M. WITH SMALLER, THOUGH STILL SIZEABLE GROUP OF FOREIGN PARTICIPANTS, PLUS LAWYERS AND INVESTMENT AUTHORITY REPS. SESSION IS SAID TO HAVE BEEN DEVOTED LARGELY TO DISCUSSION OF CONFLICTS AND ANOMALIES BETWEEN PROVISIONS OF LAW 43 AND THOSE OF EXISTING BODY OF EGYPTIAN LEGISLATION. INDICATIONS ARE THAT THIS PART OF WORKSHOP, THOUGH SOMEWHAT TECHNICAL IN NATURE, WAS REGARDED AS QUITE USEFUL AND PRODUCTIVE BY THOSE WHO TOOK PART.

7. MINECON SOURCE HAD TOLD US THAT LAWYERS AND INVESTMENT AUTHORITY OFFICIALS WORKED MOST OF DAS FEBRUARY 27 HAMMERING OUT NEW DRAFT OF PROPOSED LAW 43 CHANGES, IN LIGHT OF DISCUSSIONS AND COMMENTS EXPRESSED AT WORKSHOP. BY COB FEBRUARY 28, ACCORDING SOURCE, NEW DRAFT HAD BEEN SEEN AND APPROVED BY MINECON SAYEH AND HAD BEEN LIMITED OFFICIAL USE

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SENT ON TO DEPPRIMIN KAISSOUNY FOR CONSIDERATION. THIS REPORT, IF ACCURATE, WOULD INDICATE SURPRISINGLY RAPID ACTION ON PART OF INVESTMENT AUTHORITY, POSSIBLY ATTRIBUTABLE TO DRIVE IF NEW

DEPUTY CHAIRMAN.

8. WE HAVE NOT HAD OPPORUNITY TO SOUND OUT WIDE RANGE OF PARTICIPANT OPINIONS ON WORKSHOP, AND THERE ARE LIKELY TO BE SOME DIFFERENCES OF VIEW. THOSE FROM WHOM WE HAVE HEARD, HOWEVER, APPEAR TO THINK THAT SESSION OFFERED VERY USEFUL OPPORTUNITY FOR EXCHANGE OF VIEWS WITH GOE OFFICIALS ON INVESTMENT AND RELATED MATTERS AND THEY APPRECIATE HAVING BEEN GIVEN CHANCE TO BE HEARD.

9. OPPORTUNITY TO ASSESS NEW INVESTMENT AUTHORITY DEPUTY CHAIRMAN MEGUID WAS ALSO USEFUL ASPECT OF WORKSHOP. MOST PARTICIPANTS SEEM TO HAVE BEEN FAVORABLY IMPRESSED BY HIS FIRM HANDLING OF DISCUSSION SESSIONS (KEEPING TO THE AGENDA, SUPPRESSING DIGRESSIONS, SUMMING UP POINTS MADE, AND ADHERING TO SCHEDULE) AND BY ATTITUDE HE DISPLAYED OF REALLY WANTING TO STIMULATE FOREIGN PRIVATE INVESTMENT AND BEING WILLING TO UNDERTAKE WHATEVER LEGISLATIVE CHANGES WERE NECESSARY TO THAT END.

10. IT REMAINS BE SEEN WHETHER ANY CHANGE IN EITHER LAW OR PERSONNEL WILL IN FACT HAVE SIGNIFICANT IMPACT ON FLOW OF FOREIGN INVESTMENT INTO EGYPT. CHANGES DISCUSSED IN WORKSHOP AND APPARENT CHARACTER OF NEW INVESTMENT AUTHORITY DEPUTY ARE, HOWEVER, QUITE POSITIVE SIGNS.

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